

REDEVELOPMENT AGENCY AGENDA REPORT

SUBJECT: First Time Home buyer down payment assistance program – set maximum amount of subsidy not to exceed \$40,000.00 and approve revised guidelines

AGENDA DATE: October 21, 2008

PREPARED BY: Rosalind Guerrero, Community Eco. Dev. Director

APPROVED FOR AGENDA BY: Ralph Velez, City Manager



RECOMMENDATION:

1. Approve the First Time Home Buyer down payment assistance amount not to exceed \$40,000.00
2. Approve the recommended changes to the Guidelines as presented

FISCAL IMPACT: \$40,000.00 per application – funded with HOME, Cal-HOME, and or RDA 20% housing set-a-side funding

BACKGROUND INFORMATION:

The First Time Homebuyers Program (FTHB) allows low income families to purchase their 1st home with the assistance of a deferred second mortgage funded by the City of Calexico Redevelopment Agency. Currently the Agency has three (3) types of funding that can be used to provide the down payment assistance: State HOME program, State Cal-Home program, and the Redevelopment Agency 20% housing set-a-side.

When processing an application for assistance, the FTHB program requires an extensive review of the family's income from all sources and determining the applicant's ability to repay the first mortgage. Although the primary lender will conduct their own review of the primary loan, the down payment assistance policy requires the Agency conduct our own review based on formulas provided by the State HOME program.

Approximately one year ago, your Board approved the maximum amount of down payment assistance loan to not exceed \$40,000.00. The approval was for a period of one year. As the one year has expired and the Agency will be implementing the FTHB down payment assistance

program by the end of the year, staff is requesting the down payment assistance maximum of \$40,000.00 continue. With the current drop in housing prices and stricter lending approvals, the \$40,000.00 should be sufficient to assist low and moderate income households in purchasing their first home.

The attached Guidelines approved in 2007, reflect the recommended changes should your Board approve the maximum down payment assistance amount not to exceed \$40,000.00 per application approved. As the income limits and maximum purchase price change every year, Exhibit 11 will refer to Exhibit's 11 (a) and 11 (b) and allow these exhibits to be replaced with the updated amounts as provided by the State of California.

Attachments:

- a. City Council minutes of August 7, 2007
- b. Guidelines with recommended revisions

Lt. Neujahr stated a diversion program is important to prevent arrests. Many of the cases do not reach the Judge. Juveniles should be made to clean up the graffiti.

Councilman Fuentes asked if something could be done to embarrass the parents of juveniles caught doing graffiti.

City Attorney stated she can add the diversion language if they so desire and bring the ordinance back, or the ordinance can be amended at a later time.

A motion was made by Mayor Pro Tem Durazo, seconded by Councilman Fuentes to adopt the first reading, by title only, waive full reading of ordinance amending Chapter 9.33 of the Calexico Municipal Code regarding graffiti abatement. Voting was as follows:

AYES:	Renison, Durazo, Fuentes
NOES:	None
ABSENT:	Ouzan, Pacheco

✓ **FIRST TIME HOME BUYERS PRESENTATION.**

Mr. Ralph Morales stated that in eleven years they have assisted 500 homebuyers and utilized \$12.7 million. Staff feels that the assistance to first time home buyers should remain at \$100,000.

Councilman Fuentes stated he would like to see the assistance be limited to \$40,000. The program is meant to assist people with the gap between the cost of the home and what they qualify for. It is not meant to qualify people who would not qualify otherwise.

Mayor Pro Tem Durazo asked what percent do other cities use to assist people? She was advised by Mr. Morales that other cities assist with \$150-\$200,000 due to the cost of homes. He stated that each loan request can be brought before Council for review if so desired. In the past the lender made the determination and the recommendation for the loan amount, now a formula is used to determine the amount that will be approved. Mr. Morales stated that staff feels the loan maximum amount should remain at \$100,000. Mayor Pro Tem Durazo stated that with \$800,000 they would only assist eight families, she asked they try to assist with \$40,000 and if it does not work bring this item back to Council. Mr. Morales stated they have 100 people on a list waiting for funds.

- ✓ A motion was made by Councilman Fuentes, seconded by Mayor Pro Tem Durazo to limit the amount of the program loans to \$40,000 per family for a one year period. Voting was as follows:

AYES:	Renison, Durazo, Fuentes
NOES:	None
ABSENT:	Ouzan, Pacheco